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TAGS: [EFIN](#) [PREL](#) [XL](#)
SUBJECT: BARBADOS PM APPEALS TO POTUS RE TAX HAVEN BILLS

REF: A. BRIDGETOWN 195
[1](#)B. 08 BRIDGETOWN 577

SUMMARY

[1](#)1. (SBU) Barbados Prime Minister David Thompson sent the President a strongly worded appeal to exempt his country from any pending anti-tax haven legislation. Calling on the President and Congress to avoid a "broad brush and generic condemnation" of international financial centers on the basis of "indiscriminate blacklisting" of low tax jurisdictions, Thompson delivered a detailed legal and political argument against the legislation and against including Barbados on any list of targets (documents forwarded to WHA/CAR March 27). This latest appeal comes after months of complaints about the threat of the legislation in the previous Congress and follows close on the heels of similar pleas from other Eastern Caribbean countries in the run-up to the Summit of the Americas. Tellingly, Thompson's missive was a purely bilateral appeal, making no reference to CARICOM or any other regional initiative. End Summary.

LAST DITCH APPEAL

[1](#)2. (SBU) Barbados MFA delivered to the Embassy March 27 an urgent letter from Prime Minister Thompson to President Obama, along with a covering diplomatic note and a detailed, 27-page "aide memoire." (The package was forwarded to WHA/CAR that day via fax, with originals to follow via FedEx.) In his cover letter, Thompson notes his "great disquiet" over the support for anti-tax haven legislation that seems to be growing in the G-20. His appeal was timed to inform the U.S. of Barbados' position prior to the April 2 G-20 meeting in London. Thompson noted his willingness to work with the USG to improve global transparency on tax issues, but lamented that this cannot be achieved through "unilateral and discriminatory action by the large and powerful against the weak and small." Intimating that the current global financial crisis was precipitated by bad financial regulation in the developed world, not in small-state financial centers, Thompson noted his intention to raise this issue with the President at the Summit of the Americas.

[1](#)3. (SBU) The PM's Aide Memoire, a 27-page exhortation, details Barbados' efforts to maintain the highest international standards of transparency and cooperation with partner economies, often to its own competitive disadvantage, specifically to avoid the "tax haven" label. Thompson lists all the tax and financial agreements Barbados has with the U.S. and around the world, notes the high marks it has received from the OECD and IMF, and highlights the many

sacrifices Barbados has made in terms of lost business in order to comply with what he casts as increasingly onerous financial information-sharing regulations. The aide memoire also contains a fairly scathing attack on U.S. financial transparency problems, noting in particular the lack of transparency in many U.S. states, which actually puts the performance of America's financial regulatory regime well below many of the purported "tax havens" targeted in recent Congressional legislation. Thompson also quotes a recent GAO report that criticized the proposed tax haven legislation, notably for not having adequately defined a tax haven, and highlighted suspicious banking practices in the U.S. that would not be possible in many proposed "tax havens." The aide memoire characterizes the proposed legislation, under current circumstances, "quite ironic and troubling."

COMMENT

14. (SBU) The PM's urgent appeal is the latest in a long series of complaints and appeals we have heard from throughout the Eastern Caribbean in recent months (ref b), and several regional leaders have indicated to us that engaging the U.S. on tax haven legislation will be one of their primary goals at the upcoming Summit of the Americas (ref a). Many of these low tax jurisdictions feel threatened by the trend toward stricter regulation of offshore financial centers, given their reliance on offshore finance for a significant percentage of GDP (along with tourism and remittances, which are also being hit hard by the global recession). Despite the shared concern, Thompson's national

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appeal makes clear that there is not yet a common CARICOM position from which to argue against any new legislation. In fact, Thompson's appeal pointedly refers exclusively to Barbados, and makes a very specific plea to keep Barbados off of any tax haven lists that might be developed. We understand that Barbados is making a similar appeal to Prime Minister Gordon Brown either nationally or on behalf of CARICOM.
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